

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	67.00	1.50	0.00	68.50	1.50	0.00	68.50	68.50
Personal Services	2,517,995	234,498	0	2,752,493	251,034	0	2,769,029	5,521,522
Operating Expenses	694,976	188,819	0	883,795	103,044	0	798,020	1,681,815
Equipment	0	15,655	0	15,655	15,655	0	15,655	31,310
Grants	0	0	0	0	0	0	0	0
Total Costs	\$3,212,971	\$438,972	\$0	\$3,651,943	\$369,733	\$0	\$3,582,704	\$7,234,647
General Fund	1,006,595	(649,650)	0	356,945	(650,937)	0	355,658	712,603
State/Other Special	2,206,376	1,088,622	0	3,294,998	1,020,670	0	3,227,046	6,522,044
Total Funds	\$3,212,971	\$438,972	\$0	\$3,651,943	\$369,733	\$0	\$3,582,704	\$7,234,647

Agency Description

The Office of State Auditor exists under Article VI of the Montana Constitution. The auditor is the ex-officio Commissioner of Insurance and Securities. This position is responsible for licensing and regulating insurance companies and agents, and for registering and regulating securities dealers in the state. The auditor also adopts rules and administers insurance reform.

Agency Discussion

Funding Source Transition

The budget proposed by the agency reflects a shift in funding for the Auditor's Office, away from use of the general fund and toward reliance on special revenues from Insurance and Securities Fees. In the base year (2000) the Auditor's Office relied on one dollar of general fund for every two dollars of special revenue. At the request of the Insurance and Securities commissions, rates were intentionally adjusted to reduce reliance on the general fund. This increased special revenue flow has resulted in a current ratio of 10 cents general fund for every dollar of special revenue. This revenue change is reflected across all Auditor's Office programs.

Personal Services

Personal services reflect an increased cost based on the proposed addition of a new 1.0 FTE Attorney and a .5 FTE Personnel Director. The attorney would split his/her time between the Insurance and the Securities programs. Specifics of this arrangement are described in the program narratives.

Rental Costs

Increased rental rates comprise 36 percent of the requested increase in agency operating expenses for fiscal 2002 and almost 70 percent in fiscal 2003. Rental costs increased as a result of the State Auditor's move from the Mitchell Building to the old Shodair Hospital. The Department of Administration orchestrated this move in order to promote single-agency use of the Mitchell Building. The State Auditor's Office had a choice between space in the Federal Building and space in the old Shodair Hospital. Square foot rental rates were negotiated by the Department of Administration; rates at both locations were almost twice the cost of space in the Mitchell Building. Rental cost increases across all Auditor's Office programs reflect this increase.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	68.50	0.00	68.50	68.50	0.00	68.50	0.00	68.50
Personal Services	2,752,493	0	2,752,493	2,769,029	0	2,769,029	5,172,911	5,521,522
Operating Expenses	883,795	0	883,795	798,020	0	798,020	1,750,825	1,681,815
Equipment	15,655	0	15,655	15,655	0	15,655	339	31,310
Grants	0	0	0	0	0	0	2,000,000	0
Total Costs	\$3,651,943	\$0	\$3,651,943	\$3,582,704	\$0	\$3,582,704	\$8,924,075	\$7,234,647
General Fund	356,945	0	356,945	355,658	0	355,658	3,434,473	712,603
State/Other Special	3,294,998	0	3,294,998	3,227,046	0	3,227,046	5,489,602	6,522,044
Total Funds	\$3,651,943	\$0	\$3,651,943	\$3,582,704	\$0	\$3,582,704	\$8,924,075	\$7,234,647

Supplemental Appropriation Description

The Executive Budget includes requests for \$66,099, \$3,582 of general fund and \$62,517 from state special revenues, to provide for termination costs resulting from the change in administration. This total includes funds for the State Auditor incumbent and all personal staff. This figure may change since all current personal staff may not terminate employment.

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	9.50	0.50	0.00	10.00	0.50	0.00	10.00	10.00	
Personal Services	332,473	76,442	0	408,915	78,921	0	411,394	820,309	
Operating Expenses	91,019	35,957	0	126,976	27,154	0	118,173	245,149	
Total Costs	\$423,492	\$112,399	\$0	\$535,891	\$106,075	\$0	\$529,567	\$1,065,458	
General Fund	152,416	(152,416)	0	0	(152,416)	0	0	0	
State/Other Special	271,076	264,815	0	535,891	258,491	0	529,567	1,065,458	
Total Funds	\$423,492	\$112,399	\$0	\$535,891	\$106,075	\$0	\$529,567	\$1,065,458	

Program Description

The Central Management Division Program provides administrative, personnel, budgeting, and accounting functions for the Auditor's Office. The division also supports the auditor in his/her capacity with the State Land Board and the Hail Insurance Board.

Funding

This program is funded from the Insurance Fee and the Securities Fee accounts, which draw their revenue from percentages charged on the sale of insurance and securities.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				61,429					63,895
Vacancy Savings				(8,392)					(8,456)
Inflation/Deflation				(180)					(163)
Fixed Costs				22,108					15,721
Total Statewide Present Law Adjustments				\$74,965					\$70,997
DP 1 - Rent Adjustment									
0.00	0	11,129	0	11,129	0.00	0	11,596	0	11,596
DP 2 - Personnel Position									
0.50	0	26,305	0	26,305	0.50	0	23,482	0	23,482
Total Other Present Law Adjustments									
0.50	\$0	\$37,434	\$0	\$37,434	0.50	\$0	\$35,078	\$0	\$35,078
Grand Total All Present Law Adjustments				\$112,399					\$106,075

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Rent Adjustment - The requested funding for rental adjustment is based on the lease agreement negotiated by the General Services Division of the Department of Administration. The annual rate will increase at two percent per year and is consistent with the annual rent rate paid by other state agencies.

DP 2 - Personnel Position - This requested funding would allow the Auditor's Office to hire a .5 FTE Personnel Director. Currently personnel duties are shared between two full-time employees. The department contends that, even though both are qualified, the work involved in their position titles is not compatible with personnel duties.

**LFD
ISSUE**

There are 67 employees in the State Auditors Office. The legislature may wish to consider recommending that the Auditor's Office explore the possibility of combining their personnel function with another agency and splitting the costs for a 1.0 FTE. For example, the Historical Society has also requested a personnel director (.5 FTE) in their proposed 2003 biennial budget. Full-time positions are generally easier to fill, both in the short- and the long-term. A combined position would circumvent the need for multiple computers, office spaces, filing cabinets and support equipment. This could be funded as a test/pilot project for potential expansion to other smaller agencies experiencing the challenges inherent in staffing and funding a full FTE, but which still need the services of a personnel director. The challenges in establishing the work effort split, supervisory lines, and priority of effort would likely be worth the effort, as this solution would provide both agencies with a personnel director who was available full-time. This FTE could also provide consistency in training on an internal and an external basis, as well as in terms of professional development planning, routine counseling program management, and many other personnel functions.

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	46.00	0.50	0.00	46.50	0.50	0.00	46.50	46.50	
Personal Services	1,804,457	102,364	0	1,906,821	113,298	0	1,917,755	3,824,576	
Operating Expenses	507,730	125,795	0	633,525	55,006	0	562,736	1,196,261	
Equipment	0	15,655	0	15,655	15,655	0	15,655	31,310	
Grants	0	0	0	0	0	0	0	0	
Total Costs	\$2,312,187	\$243,814	\$0	\$2,556,001	\$183,959	\$0	\$2,496,146	\$5,052,147	
General Fund	512,384	(512,384)	0	0	(512,384)	0	0	0	
State/Other Special	1,799,803	756,198	0	2,556,001	696,343	0	2,496,146	5,052,147	
Total Funds	\$2,312,187	\$243,814	\$0	\$2,556,001	\$183,959	\$0	\$2,496,146	\$5,052,147	

Program Description

The Insurance Division Program is charged with regulating the insurance industry in Montana. The Policyholder Services Bureau resolves insurance consumer inquiries involving coverage, agents, and companies. The Examinations Bureau monitors financial solvency of insurance companies, collects taxes and fees, and audits annual statements. The Rates and Forms Bureau reviews form and rate filings for compliance with the insurance code. The Licensing Bureau educates and licenses agents, agencies, and adjusters. The Investigations Bureau investigates and refers prosecution on alleged civil and criminal insurance code and rule violations.

Funding

This program is funded from the insurance fee account, which draws its revenue from a percentage charge against every insurance policy sold in the state, as well as from charges for insurance company examinations, and fees paid by individual agents.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				127,739					138,917
Vacancy Savings				(52,974)					(53,309)
Inflation/Deflation				113					1,339
Fixed Costs				(18,908)					(37,276)
Total Statewide Present Law Adjustments				\$55,970					\$49,671
DP 1 - Rent Adjustment	0.00								
	0	38,906	0	38,906	0.00	0	41,709	0	41,709
DP 2 - Insurance/Securities Attorney	0.50								
	0	29,049	0	29,049	0.50	0	27,690	0	27,690
DP 3 - Records Retention	0.00								
	0	12,655	0	12,655	0.00	0	12,655	0	12,655
DP 4 - Examination Costs	0.00								
	0	107,234	0	107,234	0.00	0	52,234	0	52,234
Total Other Present Law Adjustments	0.50	\$0	\$187,844	\$187,844	0.50	\$0	\$134,288	\$0	\$134,288
Grand Total All Present Law Adjustments				\$243,814					\$183,959

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Rent Adjustment - The request for a rental adjustment is based on the lease agreement negotiated by General Services. The annual rate will increase at two percent per year and is consistent with the annual rent rate paid by other state agencies.

DP 2 - Insurance/Securities Attorney - This funding, if approved, would provide a 1.00 FTE attorney at grade 17. This position would be allocated on a 50/50 basis to the Insurance and the Securities programs. This request is based on a general increase in workload rising from increased levels of Workers' Compensation litigation and more stringently-regulated privacy laws.

**LFD
ISSUE**

The legislature may wish to consider requesting that the Auditor's Office provide specific goals and objectives that the individual filling this position would be expected to attain during the 2003 biennium.

DP 3 - Records Retention - The requested funding would begin replacement of 6 25-year-old lektriever carousal filing systems, which have been used to store records. This request would replace one lektriever per year during the next biennium.

DP 4 - Examination Costs - This decision package would restrict insurance examination fee levels in both years of the biennium. This is state special revenue, and a restricted appropriation.

**LFD
COMMENT**

This decision package will balance the projected examination schedule for the Auditor's Office with the cost of paying for the contractors who will be needed to provide the exams. The number of required insurance examinations can be projected on an annual basis, as based on the anticipated number of new agents and the number of existing agents due for examination on the four-year rotational schedule. This requested appropriation level is aligned with the Auditor's pre-determined schedule.

Language Recommendations

The following language is recommended in HB 2 by the executive:

?? "The State Auditor's Office is appropriated in the 2003 biennium any reverted appropriation from the \$2,000,000 biennial 2001 appropriation available to the Montana Comprehensive Health Association. The appropriation is to be provided to the association only if the amount of the annual assessment collected by the association is insufficient to meet incurred or estimated claims expenses resulting from the association plan, the Association Portability Plan and association operating and administrative expenses. The appropriation may not be included in the base budget or in the present law budget for the 2005 budget."

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	11.50	0.50	0.00	12.00	0.50	0.00	12.00	12.00	
Personal Services	381,065	55,692	0	436,757	58,815	0	439,880	876,637	
Operating Expenses	96,227	27,067	0	123,294	20,884	0	117,111	240,405	
Total Costs	\$477,292	\$82,759	\$0	\$560,051	\$79,699	\$0	\$556,991	\$1,117,042	
General Fund	341,795	15,150	0	356,945	13,863	0	355,658	712,603	
State/Other Special	135,497	67,609	0	203,106	65,836	0	201,333	404,439	
Total Funds	\$477,292	\$82,759	\$0	\$560,051	\$79,699	\$0	\$556,991	\$1,117,042	

Program Description

The Securities Division Program administers and enforces the Securities Act of Montana, which includes the responsibility for registering securities dealers. This program is responsible for investigating unregistered and/or fraudulent securities transactions, including sole jurisdiction of investment firms with less than \$25 million in assets. This program also refers alleged violators for prosecution

Funding

This program is funded through the general fund and the Securities Fee Account, which derives its revenue from Securities Portfolio Registration Fees.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				39,433					42,559	
Vacancy Savings				(11,340)					(11,434)	
Inflation/Deflation				(226)					(137)	
Fixed Costs				(4,243)					(9,688)	
Total Statewide Present Law Adjustments				\$23,624					\$21,300	
DP 1 - Rent Adjustment	0.00	13,288	4,798	0	18,086	0.00	13,746	4,963	0	18,709
DP 2 - Insurance/Securities Attorney	0.50	0	29,049	0	29,049	0.50	0	27,690	0	27,690
DP 3 - Examination Costs	0.00	0	12,000	0	12,000	0.00	0	12,000	0	12,000
Total Other Present Law Adjustments										
	0.50	\$13,288	\$45,847	\$0	\$59,135	0.50	\$13,746	\$44,653	\$0	\$58,399
Grand Total All Present Law Adjustments				\$82,759						\$79,699

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DP 1 - Rent Adjustment - This funding, if provided, would cover rental costs based on the lease agreement negotiated by General Services. The annual rate will increase at two percent per year, an amount consistent with the annual rent rate paid by other state agencies.

DP 2 - Insurance/Securities Attorney - This funding, if provided, would fund a 1.00 FTE attorney grade 17. This position would be allocated on a 50/50 basis to the Insurance and the Securities programs. This request is based on a general increase in workload rising from increased levels of Workers' Compensation litigation and more stringently-regulated privacy laws.

**LFD
ISSUE**

The legislature may wish to consider requesting that the Auditor's Office provide specific goals and objectives that the individual filling this position would be expected to attain during the 2003 biennium.

DP 3 - Examination Costs - This requested funding would add a \$12,000 restricted appropriation for securities examinations. This request would be funded by state special revenues; funds would be used only if examinations are necessary.